CONSUMER FINANCE NEWS

Vol. 35 SEPTEMBER 1950 No. 3

THE HONORABLE FRANCIS PATRICK MATTHEWS
SECRETARY OF THE NAVY

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Consumer Finance News

Published by the
NATIONAL CONSUMER FINANCE ASSOCIATION
Washington, D. C.

Vol. 35 · No. 3

September · 1950

IN THIS ISSUE:

SAVE FOR YOUR INDEPENDENCE • BUY U.S. SAVINGS BONDS

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On the Cover

The Honorable Francis P. Matthews, Secretary of the Navy, will deliver the annual banquet address at the 36th Convention of National Consumer Finance Association in Chicago on the evening of September 22, 1950.

The appointment of Mr. Matthews as Secretary of the Navy was a fitting climax to a long and successful career in private and in public life. He was one of the founders of Securities Acceptance Corporation of Omaha, and is now chairman of the Board of Directors of that company. For many years he was president of the company which he founded, and is intimately acquainted with the functions, objectives and service motives of the consumer finance companies.

An outstanding lawyer, Mr. Matthews and his firm have represented and served as counsel and in many cases as directors of some of the most prominent business concerns of the country. His war-time service in World War II merited the "Medal of Merit" for war-time services. The distinguished Secretary of the Navy will bring to the annual banquet an authoritative discussion of the current problems facing the country on the foreign and domestic fronts. Members and guests will be afforded a rare opportunity to see and to hear one of the outstanding figures in the critical national and international fields—one whose experience has been colored and developed by a business so closely related to the financial health of the American family.

The National Convention program appears elsewhere in this issue. The Program Committee has been wise in its planning and fortunate in its ability to obtain outstanding speakers to develop the theme of the convention and to approach "The Road Ahead . . . Operational—Political—Economic."

National Convention

September 21-22-23, 1950

Advance reservations at the Edgewater Beach Hotel in Chicago have exceeded all expectations and overflowed into neighboring hotels. This Thirty-Sixth Annual Meeting of National Consumer Finance Association looks like our largest. The program is outstanding. Interest runs high because of the economic crisis, impending controls, increasing costs and changing conditions. You cannot afford to miss this meeting—but, if you want to get in a near by hotel, hurry a request for accommodations to Edward Ahern, Reservation Manager.

EDGEWATER BEACH HOTEL

CHICAGO, ILLINOIS

Membership Campaign

As convention time draws near the membership campaign is moving along at an accelerated pace. At the last meeting of the Executive Committee 23 companies with 35 offices were approved for membership in the National Association. Since January 1 of this year, 99 companies with 137 offices have become members. This means that a lot of people have been working and working hard. The General Chairman, Ray E. Vester, has shown real leadership throughout his term of office and the enthusiasm and cooperation which he has engendered in his state chairmen is evidenced in the results that have been obtained.

This is how the total figure breaks down state by state: California 1, Colorado 2, Florida 1, Idaho 1, Illinois 5, Indiana 4, Iowa 18, Kentucky 3, Louisiana 2, Maryland 6, Massachusetts 1, Michigan 8, Minnesota 2, Nebraska 1, New Jersey 4, New Mexico 2, Ohio 6, Oklahoma 3, Oregon 5, Pennsylvania 5, Rhode Island 1, Utah 7, Washington 5, and Wisconsin 6. And that isn't all. We already have applications from 43 companies which will be presented to the Executive Committee at its September meeting.

All of which means that the gain in members will be greater this year than it has been for many years; in fact, before the year between conventions is over it is quite likely that it will be the top year in adding new members to the Association. This is what can be done when members believe in their Association so sincerely that they are willing to expend time and effort to get the story of its services across to non-member companies.

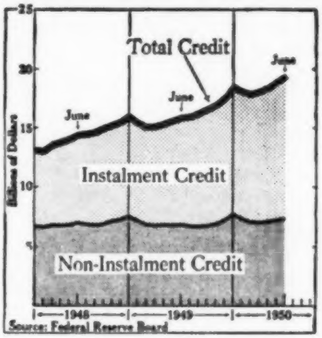
The following companies were approved for membership at the August meeting of the Executive Committee:

Farmer and Son Loan Company, Oakland City, Indiana
River Valley Finance Company, Davenport, Iowa
Cross Loan and Finance Company, Fort Dodge, Iowa
Elefson Finance Company, Mt. Pleasant, Iowa
Liberty Loan Company, Ottumwa, Iowa
Fidelity Finance Company, Detroit, Michigan
Community Finance, Inc., Teaneck, New Jersey
Southern Mortgage and Finance Company, Las Vegas, New Mexico
Community Discount Corporation, Cleveland, Ohio
Painesville Finance Company, Painesville, Ohio
Central Loan Company, Youngstown, Ohio
Willamette Credit Company, Salem, Oregon
Thrift Plan of Pennsylvania, Inc., Pittsburgh, Pennsylvania (11 offices)
Hope Finance Company, Providence, Rhode Island
Financial Service and Sales, Inc., Bountiful, Utah
Alpine Finance Company, Orem, Utah
Auburn Loan Company, Auburn, Washington
Walter A. Kerr Company, Everett, Washington
Eastside Loan Company, Kirkland, Washington
Overland Investment Company, Tacoma, Washington
Thornton Finance Corporation, Fond du Lac, Wisconsin (3 offices)
Manitowoc Citizens Loan and Investment Co., Manitowoc, Wisconsin
Essex Loan Trust, Lynn, Massachusetts

Food for Thought

Culled from Here and There

Consumer Credit Up



The American Public is going into debt at the fastest pace in many months. At the end of June outstanding consumer credit hit a record $19,627 million. This was $550 million above the preceding month and $3,503 million more than a year ago. In May consumer credit increased $481 million and in April it was up $308 million.

—The Wall Street Journal.

The small loan companies have a definite place in the business pattern of our country. Sound firms, conducted on legal lines, are an asset to a community. These companies act as underwriters on many purchases made on time, so not every loan indicates financial trouble but often represents the purchase of some high priced item such as an automobile.

—St. Joseph (Mo.) News.

There just are not enough people in this country who are enough interested in the viewpoint of business management *per se* to give it fair hearing or who would support that viewpoint, merely because it would preserve power, prerogatives or profits of business. Thus it becomes obvious that business can win public support only by identifying itself with the interest of people in general.

—The Advertisers' Digest.

If credit controls are reimposed —and I think we can get along without them—personal loans should be placed in a different category than instalment buying. Such loans are more of a remedial nature and fewer restrictions and limitations should be placed on them.

—Harry E. Small,
Executive Vice President,
Bank of Ohio.

The prevailing notion nowadays seems to be to give as little as you can —or do as little as you can—for as much as you can get. Everything stops on the split-second dot when the whistle blows. Store doors slam in your face at the precise second of the closing hour. Post office windows bang down —at least in my town—at a given p. m. to the very hair. Next thing we know they'll be organizing the hen, now shamefully deceived into laying eggs out of hours by electrically-produced daylight.

Jud Adams.

"When you clip down to the end of the hedge, Mr. Edwards, I'd like to ask a favor!"

August 1950 Release

MEETING SCHEDULE

CALIFORNIA
Los Angeles, November 1-2

COLORADO
Shirley Savoy Hotel, Denver, November 15
Shirley Savoy Hotel, Denver, January 24, 1951
Broadmoor Hotel, Colorado Springs, May 25-27, 1951

IDAHO
Sun Valley, June 29-30, 1951

ILLINOIS
La Salle Hotel, Chicago, October 24-25

INDIANA
Claypool Hotel, Indianapolis, November 9

IOWA
Fort Des Moines Hotel, Des Moines, May 2-3-4, 1951

KENTUCKY
November 7-8

LOUISIANA
January 20, 1951

MARYLAND
Baltimore, October 14

MASSACHUSETTS
Sheraton Hotel, Boston, September 14

MICHIGAN
Statler Hotel, Detroit, October 24-26

MINNESOTA
October 18

NEW JERSEY
Essex House, Newark, October 11

NEW YORK
Statler Hotel, Buffalo, October 3-4

OHIO
Deshler-Wallick Hotel, Columbus, October 17-19

OREGON
Multnomah Hotel, Portland, November 18

PENNSYLVANIA
Irem Temple Country Club, Dallas, September 13
Bellevue-Stratford Hotel, Philadelphia, November 9-10

VIRGINIA
Chamberlain Hotel, Old Point Comfort, October 18-19

Defense Production Act of 1950

Consumer Credit Controls to Be Reinstated

When the North Koreans crossed the 38th Parallel and invaded South Korea, they fired a "shot heard around the world." The embattled farmers at Lexington were resisting oppression and aggression on that first day of the Revolutionary War when that phrase originated. Free peoples in their love of freedom are resisting aggression in Korea, but this time the economic and political effects spread instantly throughout the world. Our country is involved, the lives and fortunes of our people are at risk; the domestic economy is feeling the first tremors of a shock which is sure to increase in magnitude and in effect in the months and years ahead.

One of the first acts of the President, after his decision to join in resistance to the aggressors, was to send to the Congress a bill for economic controls which had been under consideration for months and which was presented and argued by the National Securities Resources Board. This bill, entitled The Defense Production Act of 1950, was introduced simultaneously in the House and Senate, was immediately referred to the Banking and Currency Committees of the respective branches, and has been under constant consideration since that time. On Thursday, August 10, the House of Representatives passed its version of the bill, H. R. 9176, as amended in the Committee and on the floor. The Senate began debate on its bill S. 3936 on Monday, August 14. The House bill 9176 contained the following Titles and subject matter for controls:

Title I. Priorities and allocations.

Title II. Price and wage stabilization.

Title III. Authority to requisition.

Title IV. Expansion of productive capacity and supply.

Title V. Control of credit and commodity speculation.

Title VI. General provisions.

The Senate bill, as amended, provides, in addition to those subjects covered in the House bill, a Title V for the settlement of labor disputes and uses Title VI for Credit Controls. No doubt, conference committees will work out an agreement and the control bill will be passed within the next few days, probably by the time that this issue of Consumer Finance News reaches you.

Consumer credit controls will be reinstated. The last form of Regulation W expired June 30, 1949. The authority conferred upon the Executive and the Federal Reserve Board by the Defense Production Act of 1950 is presumed to be the same type of authority to regulate consumer credit as was exercised by the Federal Reserve Board from 1941 to June 30, 1949. In fact the Senate bill, as amended, contains this provision:

"To assist in carrying out the objectives of this Act, the Board of Governors of the Federal Reserve System (hereinafter in this title referred to as the Board) is authorized, notwithstanding the provisions of Public Law 386, Eightieth Congress (61 Stat. 921), to exercise consumer credit controls in accordance with and to carry out the provisions of Executive Order Numbered 8843 (August 9, 1941)."

Type of Regulation

Since it has become apparent that the Defense Production Act will be enacted into law, the staff at the Federal Reserve Board has been working on a draft of the new regulations. They are using as a background the whole of their experience with consumer credit controls under Regulation W, and it may be presumed that the form of the new regulation will follow the general pattern of the old Regulation W under the last amendment thereto. The Federal Reserve Board staff has shown marked interest in obtaining the viewpoint of all types of credit grantors as to the form and nature which the regulation should take and as to the probable effect upon the credit industries of America under hypothetical terms and conditions. Nearly every type of credit granting institution has been consulted through representatives. The Executive Committee of the National Consumer Finance Association held a special meeting in Washington, D. C. to go over the old regulation and to give the benefit of consumer finance experience under the former regulation to the Federal Reserve Board. The Committee spent one morning with the Board's staff members assigned to the drafting of the new regulation. All types of retailers, automobile dealers, discount companies, credit unions, and others, have been consulted. Out of this serious study we anticipate that the new regulation will be understandable and workable and designed to accomplish its purpose with a minimum of interference with ordinary and normal business routine. We believe that the Federal Reserve Board is best qualified by experience and attitude to administer consumer credit controls while they are necessary or desirable.

Attitude toward Controls

The consumer finance industry is as vitally interested in the economic welfare of the nation and of the American family as any type of business in America. This industry will cooperate gladly and willingly in any course of control action which seems to accomplish any substantial measure of help in the emergency situation. The Federal Reserve Board and the Administration can expect that type of cooperation from these companies during the war emergency situation.

However, the more we study the problem, the more we become convinced that any attempt to stem the inflationary tide through controls of consumer instalment credit is futile. Our companies will go along with the controls for the war-time emergency, but we believe that the controls should be repealed when the emergency is over.

We have operated under the Regulation W type of control since it was first imposed in September of 1941, except for the short interval in 1949 when it was suspended. On page 17 of this issue of Consumer Finance News, we have reprinted charts showing the growth and development of the various segments of consumer credit and of consumer loan credit since 1929. On the first chart at the top of the page there appears the date of the original imposition of Regulation W and the dates of the amendments, the suspension, and finally the termination. Except for those indications, we challenge anyone to show any effective results from imposing the regulation at any time. During that period of World War II when durable goods were taken out of production and there was nothing for people to buy in the market place, the volume of consumer credit declined appreciably. But immediately after VJ Day, when durable goods came back into production, the volume of consumer credit began to climb and maintained a steady rise irrespective of the consumer credit controls under Regulation W for the next 4 years. In our opinion the production of durable goods, the amount of cash savings and liquid assets, consumer incomes, and other factors have much more effect upon the volume of consumer credit outstandings than any reasonable regulation by the Federal Reserve Board could have.

Some people think consumer credit regulation is an effective anti-inflation control. There are as many others who are as well informed who think it has

no influence on our economy at all. The best that can be said for the regulation is that it does have some police power and that it may restrain marginal risk lenders and instalment credit grantors who are not important to the over-all picture at any time.

The controls should be abandoned and terminated immediately upon termination of the national emergency. They have no place in a peace-time economy where competitive factors must be allowed to exercise their normal influences and restraints.

As soon as the regulation has been promulgated, the National Consumer Finance Association will give full information to all its members. We assume that the Federal Reserve Board will give full and adequate publicity through its releases and notifications so that those who are affected by the new regulation will have ample opportunity to register and to carry on with full information as to the provisions of the regulation.

Economic Background

The U. S. Department of Commerce, in the August 1951 *Survey of Current Business*, presents an up-to-date review of the business situation. The following excerpts from that review present the background underlying the President's demand for economic control:

"A sharp step-up in defense spending plans, accompanied by heightened business activity and mounting prices, has dominated economic developments since the invasion of South Korea. The new military demands coincide with a general cyclical peak in business activity; they come at a time when aggregate demand had reached an all-time high and our economic resources including labor were already approaching full employment under nonwar conditions.

"Rising consumer and investment demand had pushed production to a postwar peak, just before the fighting began. In the intervening weeks, further advances have occurred in some sectors and civilian demand has been spurred by the prospect of accelerated defense production.

"The effect of the Korean war upon prices and retail trade was prompt and vigorous. Prices of industrial raw materials and farm and food products moved up sharply, and a widening group of manufactured products joined in the advance. Heavy buying of household appliances, sheets and towels, hosiery, and certain foods reflected a fear both of shortages and of anticipated price advances.

"The outbreak of the Korean conflict was accompanied by increases in current and projected defense spending at a rate greater than that envisaged by the 1951 fiscal year estimate of $13.5 billion made in January. To allow for this considerable expansion in defense outlays, the President's budget message in July initially requested an additional appropriation of $10.5 billion. This was increased by early August to more than $15 billion to provide for heavier expenditures under the Mutual Defense Assistance Act and for additional naval aircraft. . . .

Heavy Retail Buying

"The rising tempo of demand in the period just before the start of the Korean war and the sudden spurt in the following weeks may be seen in the trend of retail sales. Total retail sales, adjusted for seasonal influences, reached a record rate in the first quarter of 1950, and then advanced to new highs in May and June. The June sales were 3 per cent higher than in May and 10 per cent above the corresponding month a year earlier. In this setting, the large sales increases indicated by the preliminary data available for July are especially striking. . . .

Higher Employment

"Nonagricultural employment continued to rise in July, reaching 52.8 million, 340,000 higher than in June. The increase of 2,700,000 in this sector from a year ago reflects a striking change in the labor market since last summer. Total employment was a little lower in July than a month earlier, reflecting a drop in farm work as wet weather limited farm operations. Unemployment at 3.2 million in July was a little lower than in June and 900,000 lower than in July of 1949. . . .

"The impact of developing defense programs on the economy has had but little influence on production for the civilian economy so far. Work on new orders for war material has not yet been undertaken in sufficient volume to disrupt appreciably the flow of key materials for the production of civilian goods. . . .

Price Developments

"Since the last week in June a general inflationary movement has gripped the economy. Expectations that sharply expanded defense spending would bring higher prices and shortages for some commodities—led to immediate heavy forward buying by consumers and producers alike. As a result, prices were quickly pushed back toward the postwar highs of 1948, although actual new Government buying had not as yet begun on an important scale. Price rises were especially large for the traditionally sensitive industrial raw materials, farm products, and foods, which had already risen substantially during the second quarter. . . .

"Food and agricultural commodities provided the greatest impetus to the increase in the wholesale price index since June, with livestock and meat prices both showing large advances. Farm products as a whole increased 8 per cent between the weeks ending June 27 and August 8 while foods moved up almost as much, 7 per cent. . . .

National Product

"Gross national product—the Nation's total output of goods and services, valued at current market prices—rose to a rate of nearly $270 billion annually in the second quarter of 1950, as compared with $262½ billion in the first quarter. The advance was an extension of the upswing in economic activity already under way, and contrasted markedly with developments during the corresponding period a year ago.

Consumer Purchases Continue to Rise

"Personal consumption expenditures rose in the second quarter of 1950 to $184½ billion, at seasonally adjusted annual rates. This advance, from $182½ billion in the first quarter, continued the expansion of consumer outlays which began late in 1949 after a year of relative stability.

"The principal factors underlying advances in consumer buying this year have been the higher incomes generated by expanding economic activity and the receipt by veterans of $2.6 billion in National Service Life Insurance dividends. In addition, however, retail purchases have been stimulated by liberal extension of consumer credit. . . .

"The contribution of expanding consumer credit is suggested by the contrast between an $800 million growth in the total outstanding, from December 1949 through June 1950, and a contraction of about $200 million during the corresponding period a year earlier. Expansion of installment credit—associated with the exceptional volume of consumer durable goods purchases in recent quarters—has been particularly marked. Although total outstanding consumer debt remains lower relative to disposable personal income than in immediate prewar years, this is no longer true of the installment credit component. . . .

Basic Personal Income Flow Higher

"Personal income in the second quarter—other than the special insurance dividend payments to veterans—was at an annual rate of $213 billion, $5 billion above the March quarter. This latest quarterly advance was nearly double that witnessed in the preceding period, when the rising tempo of production was first reflected on a material scale."

Consumer Credit in the Years to Come

By E. A. MATTISON

Mr. Mattison is executive vice president of the Bank of America. He sounded the keynote for the Sixteenth Annual Institute of Industrial Banking, June 15-17, in Los Angeles, sponsored by American Industrial Bankers Association. His remarks reprinted from the Industrial Banker *were made, of course, before the attack on Korea, but his pertinent points are still true.*

Perhaps it is an over-simplification to say that the future of consumer credit depends upon its continued constructive usefulness to the American public. But isn't that really the answer? What other answer can there be? The astounding growth of this method of buying, in my opinion, is due entirely to the fact that we have continuously broadened the channels of availability, and continuously increased its usefulness in improving the standard of living of the majority of American families. If this premise is true, then what better pattern can we find for our future activity than to improve on our past record?

This premise is, of course, not accepted by some of our presumably sincere and informed economists, writers, and government agencies. Their alarm and warnings that there is now too much consumer debt are predicated on an assumption that Americans are fools who are rushing headlong into debts they cannot repay. You and I know, as do hundreds of thousands of merchants, bankers, and other lenders, that this is not so, and you all know how abundant the record is with proof that the American people respect their obligations.

It is not necessary to review this record for so thoroughly informed a group. My purpose in mentioning it is to suggest what might be a number one project for this industry to consider, under its obligation to continue to improve its usefulness to the people.

What better public service could be performed than once and for all to kill the frequently recurring myth that consumer credit debt is reaching dangerous proportions. The amazing thing to me is that those who challenge consumer credit, either as to totals or as a means of purchase, must rely largely on personal opinion, without any proof whatsoever. The proof that consumer credit is sound is on our side, not as a mere matter of opinion but as proved by the record of nearly half a century.

How then can we better assure the future of consumer credit in the years to come than by educating the citizens, the Congress, and the government agencies concerned, directly or indirectly, with this situation? It is my opinion that an industry-wide job needs to be done here; not just a job for one or more institutions or associations to tackle individually, but a new, complete, integrated, industry-wide effort. For example, a joint economic council might be established, containing representation from every segment of consumer credit activity, whose job is to explore the idea thoroughly and find ways and means to combat a propaganda which contributes nothing to the economy but rather, in my opinion, does great harm.

I am sure nearly everyone here is familiar with the recent dislosure concerning the overstatement of the total of consumer credit debt in the Federal Reserve Board estimates. However, for the record and because of the seriousness of the situation, and in support of my suggestion for an over-all council concerned and interested solely in consumer credit affairs, here it is:

First: The Federal Reserve Board seriously overstates the amount of consumer credit outstanding.

Second: Even if we do accept the Federal Reserve Board figures; even if we measure consumer credit with the Board's rubber yardstick, it is still in balance with some of the most important and sensitive indicators in our economy.

The National Industrial Conference Board has just reported that consumer credit outstanding at the end of 1940 equaled only 12 per cent of disposable personal income (total consumer income after taxes and withholdings), as compared with nine per cent at the end of last year. The report goes on to show the relationship between consumer credit and liquid personal assets (the cash, bank deposits, savings and loan shares, and government bonds) held by the American people. Consumer credit equaled 18 per cent of these liquid assets at the end of 1940. At the end of 1949 it was in the far lower and more favorable ratio of 11 per cent. And if we look at total consumer debt, which includes mortgage debt as well as consumer credit, the ratio to liquid personal assets was 52 per cent in 1940 and 32 per cent in 1949. Consumer credit increased by 106 per cent between 1940 and 1949, while disposable personal income increased 155 per cent!

I have said the Federal Reserve Board consumer credit figures were overstated and that is true. It is also true that they are unrealistic and misleading. I quote from an article appearing in the April 15 issue of *Business Week*, bearing the title, "Federal Reserve Board Will Change Consumer Credit Figures." The article says:

"Consumers are soon going to owe $2 billion less—in Federal estimates, that is.

"Statisticians have been considering revision of the figures on consumer credit for some time. They feel the present setup doesn't give the real picture. Now complaints from finance companies and others have made up the experts' minds for them."

These complaints were brought to public notice in the April 5, 1950 issue of *Retailing Daily*, in which the Fairchild News Service reported on a check of Federal Reserve Board figures currently being made by the Retail Credit Institute of America.

The article in *Retailing Daily* said:

"The fact, however, that the Board is revising its system to reveal that total consumer credit is two billion dollars less than reported for February, points up long held doubts by some authorities as to the Board's accuracy."

Some of the doubts referred to in that quotation pertain to the reporting of business-purpose loans in the consumer credit category. Such loans add up to an important element of volume in the instalment contract business. Other doubts relate to the Board's apparent failure to deduct debt consolidation loans, which are covered by previously reported loans, from the aggregate totals. And it might also be urged that estimates on the extent of service credit should be reexamined with great care.

Taken together, such downward revisions might well total over $2 billion, a reduction which would bring the $19 billion figure down to the neighborhood of $17 billion or less—a more realistic amount that would be less cause for some of those alarmist conjectures that we have all had to contend with.

I am sure you will agree that we who are actively engaged in this vital business have a right to expect that economic statistics of such high importance should come from some impartial body, interested only in providing accurate, neutral, unbiased information to help us all—consumers, borrowers, businessmen, lenders, and government officials—to come to the wisest possible decisions in matters involving the economic life of the country.

How can the Board's statistics be so regarded when the Board continues to press for power to regulate consumer credit under a renewal of Regulation W or some similar measure?

(Continued on Page 12)

Amendment to Internal Revenue Act

Summary of H. R. 6073 Pertaining to Personal Holding Company Tax on Personal Finance Companies

By JOSEPH E. NEWTON of the Chicago Bar

The Section of the Internal Revenue Act excepting licensed Personal Finance Companies from the operation of the Personal Holding Company Act (Section 501(b)(6) has been amended by subdividing the Section into two paragraphs designated (A) and (B).

To be excepted from the operation of the Personal Holding Company law under Paragraph (A) it is necessary to meet the following requirements:

1. A corporation must be a licensed Personal Finance Company under State supervision.

2. 80 per cent or more of its gross income must be lawful interest received from loans made to individuals in accordance with the provisions of applicable State law.

3. 60 per cent of the gross income must be lawful interest:

a. received from individuals each of whose indebtedness to such company did not at any time during the taxable year exceed in principal amount the limit prescribed for small loans by such law (or, if there is no such limit, $500), and

b. not payable in advance or compounded and computed only on unpaid balances.

Comment:

Read together this would mean that the top 20 per cent of the income could come from any source; the next 20 per cent (that is between 80 per cent and 60 per cent) must be received from loans to individuals in accordance with State law, but the State law could be of any type, discount or otherwise, the bottom 60 per cent must come from the so-called Russell Sage type of loan business.

4. Loans to a person, who is a shareholder in such company during the taxable year by or from whom 10 per centum or more in value of its outstanding stock is owned directly or indirectly (including in the case of an individual, stock owned by the members of his family), must not exceed $5,000 in principal amount.

To be excepted from the operation of the Personal Holding Company law under Paragraph (B) it is necessary to meet the following requirements:

1. The company must be a lending company *which is not otherwise excepted* from the provisions of the Personal Holding Company Act.

2. It must be authorized to engage in the small loan business under one or more State Statutes providing for the direct regulation of such business.

3. 80 per centum or more of the gross income must be lawful *interest, discount* or *otherwise authorized charges:*

a. received from loans maturing in not more than 36 months made to individuals in accordance with the provisions of applicable State law, and

b. which do not, in the case of any individual loan, exceed in the aggregate an amount equal to simple interest at the rate of 3 per centum per month not payable in advance and computed only on unpaid balances.

4. At least 60 per cent of the gross income must be lawful interest, discount or otherwise authorized charges, received from individuals, each of whose indebtedness to such company did not at any time during the taxable year exceed in principal amount the limit prescribed for small loans by such law (or, if there is no such limit, $500).

5. The deductions allowed to the corporation for expenses (other than for compensation, for personal services rendered by shareholders and members of their families) must constitute 15 per cent or more of the corporation's gross income. The purpose of this is to make sure that the corporation exempted is a bona fide operating company and not a so-called "incorporated pocketbook."

6. Loans to a person, who is a shareholder in such company during the taxable year by or from whom 10 per centum or more in value of its outstanding stock is owned directly or indirectly (including in the case of an individual, stock owned by the members of his family), must not exceed $5,000 in principal amount.

Comment:

It will be noted that no part of the gross income under Paragraph (B) need come from the so-called Russell Sage type of operation. The only requisite is that the charges (whatever method is used) when converted to a simple interest rate shall not exceed 3% per month. This is to bar the high raters from any relief.

NOTE:

The bill (H. R. 6073) was signed by the President on August 9, 1950. The effective date is August 9, but a Treasury ruling has been requested as to whether the amendment may apply to the entire current fiscal year. No Treasury ruling has yet been announced on the subject.—*Editor.*

Small Loan Laws

It is estimated that this year there will be nine million families in this country, with nothing but a weekly wage to depend on and no bankable security to offer, who will have emergencies requiring them to borrow a little money. No one of them will require more than a few hundred dollars, but their total borrowings will amount to $1½ billion.

Most states in late years have recognized the existence of this army of little fellows in temporary distress, and tried to protect them. They have set up "small loan laws" which authorize interest charges of 2½ to 3½ percent on unpaid balances on loans amounting to no more than $500.

Six states have chosen to ignore these small borrowers, the number of which has swollen with the industrialization of our society. Kansas is one of them. The six cling to the old notion that anything above eight or ten percent interest is usury.

Since small loans of this character can't be serviced or the risks involved assumed for such interest, the result in Kansas and five other states is this. Instead of the working man in financial trouble paying a legal 30 to 42 percent interest, an illegal 100, 200, and at times 300 per cent annual interest is exacted from him.

For years there has been an effort to get a "small loan law" through the Kansas legislature. Each session it has failed. The reasons are that the victims are powerless, the public is indifferent, the loan shark lobby is active, the labor unions have failed to exercise the drive they might be expected to, and the legislators have been too property minded.—*Chanute (Kansas) Tribune.*

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Many of us spend half our time wishing for things we could have if we didn't spend half our time wishing.—*Alexander Woollcott.*

PROGRAM

Thirty-sixth Convention and Annual Meeting
National Consumer Finance Association

THURSDAY, SEPTEMBER 21

10:00 A. M.—FIRST GENERAL SESSION
Ballroom

Presiding: I. L. Brisbin, President

Address of Welcome
Mayor Kennelly of Chicago

Greetings
B. Haddon Davenport, President, Illinois Consumer Finance Association

Response
Barney J. Lenihan, Vice President, National Consumer Finance Association

Keynote Address: The Road Ahead in Our Business
I. L. Brisbin, President, National Consumer Finance Association

Address: The Status of Our Business
Paul L. Selby, Executive Vice President, National Consumer Finance Association

Address: The Road Ahead in the Economy
Howard R. Bowen, Dean, College of Commerce, University of Illinois

12:30 P. M.—FIRST LUNCHEON SESSION
Marine Dining Room

Presiding: B. J. Lenihan, Vice President

Invocation

Address: The Function of Public Relations
Charles E. Carll, Director of Public Relations, Ford Motor Company

2:30 P. M.—SECOND GENERAL SESSION
Ballroom

Presiding: Leo M. Gardner, Chairman, Law Committee

Legal Round Table

Theme: Understanding Your Legal Status

1. In Bankruptcy Proceedings
   (a) Frank B. Hubachek
   (b) Bryan Purteet
2. Under Federal Jurisdiction over Your Business
   Joseph E. Newton
3. Under the Proposed Commercial Code
   Leo M. Gardner
4. Concerning Rights of Privacy
   Louis A. Hellerstein

Discussion

6:00 to
7:30 P. M.—Reception and Cocktail Party
East Lounge

Host for this occasion, Illinois Consumer Finance Association

FRIDAY, SEPTEMBER 22

9:00 A. M.—THIRD GENERAL SESSION
Ballroom

Presiding: Hal Wagner, Chairman, Advertising Forum

Meeting of the Advertising Forum

9:30 A. M.—Advertising Round Table

Merits of Radio and Television

Radio: John T. Snite, Vice President, Imperial Credit Company

Television: Newell T. Schwin, Director of Advertising, Household Finance Corporation

Point of Sale Advertising

Irving S. Michelman, Vice President, Security Finance Company, Inc.

You Can Make Your Letters Better

Henry Hoke, Editor and Publisher, *Direct Mail Reporter*

Discussion

11:00 A. M.—Address: Why Advertise?
Fairfax Cone, Foote, Cone & Belding

11:45 A. M.—Discussion

12:30 P. M.—SECOND LUNCHEON SESSION

Marine Dining Room

Presiding: I. Lehr Brisbin, President

Invocation

Address: How Far Can We Go?

Carl Taylor, President, Waukesha State Bank

2:30 P. M.—FOURTH GENERAL SESSION

Ballroom

Presiding: Harold E. MacDonald, Executive Vice President, Household Finance Corporation

Round Table on Operations

Theme: Increasing Efficiency in Operations

(a) Improved Methods and/or Mechanical Devices

(1) Branch Office—Internal
Davis Weir, President, State Loan and Finance Corporation

(2) Branch Office—External
Harry A. Hammond, Vice President, Commonwealth Loan Company

(3) Home Office
David B. Lichtenstein, Executive Vice President, American Investment Company of Illinois

(b) Solving Collection Problems

(1) Delinquent Accounts
M. L. Goeglein, Vice President, Pacific Finance Corporation

(2) Foreign Accounts
Harry W. Gibson, Director of Consumer Relations, Capital Finance Corporation

(3) Loss Ratios and Reserves
Albert B. Bagley, Secretary, Local Loan Company

4:30 P. M.—Discussion

7:00 P. M.—ANNUAL BANQUET

Ballroom

Presiding: I. Lehr Brisbin, President

Invocation

The Annual Banquet Address

The Honorable Francis P. Matthews, Secretary of the Navy

Dancing

SATURDAY, SEPTEMBER 23

9:30 A. M.—Federal Controls, Thomas D. Griffin, Chairman of the Executive Committee, National Consumer Finance Association

10:00 A. M.—Annual Business Meeting of the Association

East Lounge

Presiding: I. Lehr Brisbin, President

Call to Order

Minutes of the Last Meeting

Reports of Officers

Reports of Committees

Unfinished Business

New Business

Nominations and Elections

Recess for Meeting of new Board of Directors and new Executive Committee
Illinois Room

1:00 P. M.—INAUGURAL LUNCHEON

Ballroom

Presiding: I. Lehr Brisbin

Luncheon

Installation of Officers

Response by new President

Address:

Professor Paul Bagwell, Michigan State College, Past President, United States Junior Chamber of Commerce

ADJOURNMENT

This Convention assumes growing importance as the time draws near. The country is approaching new mobilization status. Our business is to be seriously affected by changing conditions, by new federal regulations and by consumer practices. An amendment to the Personal Holding Company Act is effective. The call to arms will take some of our best employees. The challenge of constructive service was never greater. The Convention of your National Association is your forum. Be sure to attend—to participate—to get all the information and help that this meeting affords.

Note: For the women attending the convention.

In addition to the luncheons, reception and banquet, a special program of entertainment events has been arranged for the women. Of course they are all invited to the general sessions of the convention.

Soldiers' and Sailors' Civil Relief Act

Provides Protection For New Crop of GIs

The stepping up of the draft and the alerting of military reserve and National Guard units has not only caused men of military age but also creditors, landlords and mortgage-holders to look up laws that provide protection to servicemen.

For example, families of servicemen, in many instances, cannot be evicted from dwellings and mortgages usually cannot be foreclosed. In some instances, the government will pay insurance premiums. Automobiles, appliances and other merchandise bought "on time" cannot be repossessed without a court order, and the like.

The Soldiers' and Sailors' Civil Relief Act, it seems, is still on the books and certain provisions of the Selective Service Act of 1948 also provide protection to servicemen.

The Relief Act, incidentally, is known as Public Law No. 861 of the 76th Congress, as amended by Public Law No. 732 of the 77th Congress. * * *

These laws were enacted primarily to assure men going into service that they can often enjoy a moratorium on debts.

In some instances, creditors will suffer, as progressively more men enter the armed services.

A creditor cannot take advantage of the financial plight of a man going into service and suffering a sharp reduction in income. The creditor, as a result, sometimes may have to wait for the serviceman's return to civilian life, or take a lower payment on property he has rented or the loan he has made. The debt itself and accrued liabilities under it, however, are not wiped out. They still are a debt owed by the individual serviceman or his estate. * * *

The law is so worded that it sometimes isn't necessary for servicemen to keep up interest on their mortgaged homes.

The key to meeting mortgage requirements is: Has the fact that the man has gone into service materially affected his ability to pay? If he has enough outside income or if his service pay is large enough, he must keep up all payments. But, if his income has been heavily cut by entering service, he often can delay payments (including interest charges) until after his discharge, or can ask for permission to pay lower instalments. All of these are court cases, and the court has wide latitude in deciding.

(Some local lending institutions are concerned on this score, claiming they could not afford to carry a mortgage and not receive normal interest payments.)

Legal authorities in Washington claim it is not easy to foreclose the mortgage of a man who has entered military service. But, it can be done in some instances. The holder of a mortgage can go into court and ask a foreclosure. The court is not likely to allow that, unless the mortgage holder can make out a good case, or can show bad faith on the part of the serviceman. * * *

The creditor usually gets his full payment in most instances. That's because the debt remains and returns to civilian life. If payments are not made then, foreclosure proceedings may be brought in court.

In the instance of merchandise purchased on the monthly instalment plan, servicemen in a financial position to keep up payments are expected to do so. Otherwise, payments may be adjusted to fit his military income or postponed.

* * *

A serviceman's family is frequently protected against eviction from a rented dwelling in instances where the apartment or house rents for up to $80. The landlord cannot evict service families without a court order, with the court frequently staying proceedings for three months to see if the family can raise money for the rent. Where a family can pay the rent, but uses the money for other purposes, a court usually will permit eviction.

* * *

If a serviceman cannot keep up payments on insurance bought from private companies, provision is made to protect him on policies up to $10,000. What he does is to ask the Veterans Administration (VA), in writing, to look out for his premium. VA will guarantee payment of these, to prevent a lapse. Where actual payments are made by VA, a binding debt is established and the government can collect from the serviceman following the latter's discharge.

Taxes can be postponed if the serviceman can show his ability to pay taxes was materially impaired by military service.

—*Binghamton (N. Y.) Press.*

Try This for Size

By HARVEY CLARK

Mr. Clark is the owner of the Harvey Clark Company, an affiliate of the M. Blumberg Company. This item is reprinted from the **Security-Home-Provident News.**

For your Doubting Thomases, those who knowingly agree with you that our rates are all right, but of course just as knowingly indicate that they believe they are too much, try this.

Invite them into your office—show them some of the records—ask them to spend a little time with you and observe how we handle our customers, and the response which we get—let them see for themselves the general class of people with whom we do business, the attitude which they assume towards the company and the manner in which we try to assist them in solving some of their more difficult financial troubles.

Of course, you can't do this with everyone, but in many cases it can be done if you will just go out of your way a little bit to do it.

It isn't because people dislike our business that we occasionally run into criticism, but mostly it is because they do not understand our business. Nothing in the world will be more effective than to afford them the opportunity of a little on-the-job experience and observation.

Not every one will accept your invitation, but you will be surprised if you work at it a little how many will, and will appreciate the additional knowledge that they have gained. It is well worth trying and can't do a bit of harm.

This is another way of saying that far from our having anything to hide from anyone we are only too glad to show them the scope and nature of our services and how they fit into the general economy.

If you will impart information of this kind to just a few people every month and each office will do so, it will add up to a good bit of better understanding and better public relations for our business. After all, we have another job yet to do beside serving our customers, and that is to serve the thinking public with facts.

New Plan for Handling Foreign Accounts

A suggested plan for improvement in handling foreign accounts has been prepared by the Public Relations Committee and published by National Consumer Finance Association. Advance copies have been distributed to all member offices of your Association. Additional copies may be obtained from NCFA office in Washington at 25¢ to members and 50¢ to nonmembers.

Personalities

Walton W. Parks is president of the Friendly Finance Service, Inc., Charlottesville, Virginia. He was educated in the public schools in Baltimore, took a business course at Strayer Business College, and is a graduate of the Industrial Lenders Technical Institute.

He started in the small loan business with Beneficial Management Corporation in Baltimore, Maryland, in 1928, as an outside man, and was later promoted to manager of one of their branch offices. He is now operating his own company with offices in Charlottesville and Waynesboro, Virginia. Also, he is Chairman of the Executive Committee of the Virginia Association of Small Loan Companies.

Mr. Parks is past president of the Charlottesville Lions Club and is very active in local civic affairs. He is also active in the local Chamber of Commerce, serving on several committees. He is a member of the Farmington Country Club and Keswick Country Club.

In 1932, he married Margaret Henderson of Baltimore. They now have a daughter seventeen and a son fourteen. The former is attending Stephens College in Columbia, Missouri, and the latter Staunton Military Academy in Staunton, Virginia.

Mr. Park's hobbies are: fishing, hunting and golf.

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Not what we have, but what we enjoy, constitutes our abundance.

—*J. Petit-Senn.*

TWENTY Years Ago in the *News*

Personal Finance News, September 1930

National Officers, 1929-1930:

President, Albert P. Snite; Vice President, T. M. Kaufman; Executive Vice President, W. Frank Persons; Treasurer, T. J. Harrison; Secretary, Edgar F. Fowler

THE ANNUAL CONVENTION

There is much to justify the expectation that our Sixteenth Annual Convention will be the most largely attended and we hope the most instructive and altogether enjoyable national gathering in the history of our Association. Such a happy result is especially appropriate at this time. Never before has the personal finance industry enjoyed more substantial business footing. Moreover, the prospects for future progress, not only in material things, but in achieving the full measure of public goodwill and understanding, were never brighter.

Among ourselves there is a manifestly clear disposition to accept our public responsibilities. And it is gratifying that the approach to this vital subject has neither been sentimentally idealistic nor cynically practical. We are learning to ascertain and to face business facts.

It will be noted that our list of speakers includes not only many of the outstanding figures in the personal finance business itself but leaders in other business lines, economists, officials of state and national governments, social workers, legal authorities, and nationally prominent executives of organized labor.

While our guest speakers will bring to us messages of broad and telling significance to the future of the personal finance business, there will be, also, definite expressions of opinions and suggestions by those long experienced in the business. There will be frank interchange of views drawn from practical business life. These general discussions are bound to be interesting and helpful.

Bankruptcy cases pending at the close of the fiscal year 1930 numbered 61,410 and involved liabilities of nearly one billion dollars, according to preliminary statistics made public by the Department of Justice on August 14. Nearly one-half of all the bankrupts were classified as wage-earners. The cases pending at the end of the 1930 fiscal year exceed by more than 3,500 in number and $64,000,000 in liabilities the total for the preceding year.

We may undertake membership campaigns and pursue them with all diligence, but eventually we must depend in large degree upon the active assistance of local members. During the past year, hundreds of members have cooperated splendidly. Our state membership chairmen, the vital cogs in our national membership machinery, have worked earnestly and successfully. But state chairmen cannot do the job without the active help of individual members. We are hopeful of even a larger measure of cooperation during the coming year.

The dollar's purchasing power in June 1930 was 10 per cent higher than at the corresponding time one year ago, the U. S. Department of Labor has announced. Price decreases have occurred in major groups of commodities, ranging from 0.5 per cent in house furnishing goods to nearly 14 per cent in farm products.

Consumer Credit in the Years to Come

(Continued from Page 6)

Now may I, in the interests of further public service, offer the additional suggestion that we also explore ways and means of regulating our industry to end some of the abuses that have developed here and there.

The recent Federal Trade Commission study of excessive and exorbitant packs in the automobile business, with results which could lead to permanent regulation in this field, would have been unnecessary if the industry had established some means of policing itself, with sufficient power to control abuses.

In any industry there are always enough shortsighted "hit-and-run" operators to give the business a black eye in the minds of the public. Other industries have found at least partial solutions which in many instances have gone a long way toward increasing public confidence. I agree that the consumer credit industry itself has made substantial strides in this respect, and I am suggesting only a further review and research for additional safeguards that can be enforced against offenders for the benefit of the public and, in turn, our business.

I am well aware of the difficulties involved, and have been too long in the business to have any illusions about overnight correction of abuses. But, like the friend of mine who had his first child after twenty years of marriage, I am also aware of the progress that has been made and urge only that renewed efforts be put forth to continue and hasten the improvement.

Currently, one of the most discussed —or cussed—topics of the industry, if you please, is terms: down-payments and maturities. Most of this concerns finance companies and banks. The licensed loan companies as yet do not seem to be involved.

This has always been, and no doubt will continue to be a subject of unending argument. I don't presume for one moment to suggest that I have any categorical answer to it—I don't believe there is one, barring Federal regulation, to which I stand of record as firmly opposed. However, this much I have observed, as have you: terms run in cycles just as does much of the rest of the business economy. In any highly competitive business, particularly one like ours which is indivisibly linked with sales, the merchants' views as well as our own must be considered.

I do not share the dim view or the alarm of some of my colleagues. When repossessions and losses rise sufficiently to be serious, terms will stiffen—not uniformly, of course. But those who have been the worst offenders are the first ones forced, regardless of competition, to curtail. Then the other, better operators can follow suit.

There are other ways, of course, one of the most effective of which is for a lender to offer a more attractive deal for the seller and the buyer if the terms of sale are more restricted. This worked so well in one instance here in California on a large appliance operation that a 36-month plan outsold and finally eliminated the company's 60-month plan. Obviously, emphasis and advertising by dealers on terms is weak selling, and the final unfavorable results are inevitable. Education of the public to the added cost of longer terms has also proved effective.

All in all, it seems to me that with a few notable exceptions that have caused a great deal of trouble in some localities, the term structure is tending to improve rather than to deteriorate. I am referring primarily, of course, to the West Coast area. In order to improve the trend further it is suggested that greater effort be devoted to counseling dealers and their salesmen. Currently, many firms are increasing their expenditures for sales training and we should do likewise. It might interest you to know that our bank is currently sponsoring a "Buy Now" Retail Sales Training Program in cooperation with the California Department of Education's Bureau of Business Education. So far 106 courses have been held, which covered better than 150 communities, with an attendance of 11,865, with the program still under way.

There are two current developments that, while not new, are taking on new significance due to the rate of growth of both. I refer to car and truck leasing by business firms and car leasing by professional men; also to the growth of appliance financing now being covered by the real estate mortgage. Both these fields show every indication of continued expansion.

There appear also to be opportunities to extend consumer credit in fields only just scratched—travel credit, for example—and in the field of soft goods and home furnishings. The farm market for consumer credit would seem to offer great possibilities. Somebody suggested the other day that we finance escalators for the cliff dwellers of New Mexico. Be that as it may, today some 80 per cent of all farm homes have access to electric power, but not too many have actually installed labor-saving appliances. By the end of 1951, it is estimated that almost every farm home in the nation will be in a position to use electric appliances as fully and conveniently as city and suburban homes do today.

What does this mean to industry and to progressive bankers? It opens up a a new, rich market, almost undeveloped as far as home appliances and equipment are concerned, because it is estimated that each of these homes will be a prospect for over $3,000 worth of electric appliances, radio and television sets. Trade authorities conservatively are looking forward to selling at least half of this market in the 12 years after 1951. Translated into dollars, this means an average sale of $250 per farm per year, for a yearly total of over three quarters of a billion dollars in appliance sales to farm homes alone, not counting the tremendous potential in the equipment and implement field.

So here we have new fields for development. What do they indicate? They show that there will be a steadily increasing potential for consumer credit, especially if we draw the proper conclusions from the fact that while our population increased 15 per cent between 1940 and 1950, our family units increased 24 per cent.

Family growth has been proceeding at a rate that is 60 per cent faster than the rate of population growth, which

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to a great extent explains why hard goods (the durable household furnishings and appliances that are essential to modern family life) are today outselling the soft goods (the clothing, luxuries, and specialty items that are largely bought by individuals for themselves).

In actual numbers, family units have increased by two and one-half million between 1940 and 1945, and by six million between 1945 and 1950. And this increase is expected to continue, because while population should increase by nine per cent between now and 1960, family growth is expected to increase by 18 per cent.

This, then, creates a new and fertile market for the merchandise that is so largely financed by instalment credit, and, therefore, if we do our part of the job as it should be done, banking will continue to aid in the acquisition and furnishing of an increasing number of American homes.

Most certainly, the coming years in consumer credit promise to be even better than those of the past. To attain them we must, of course, have a strong America to assure peace, and, most of all, a firm faith in our ability to achieve it.

To strengthen and encourage that faith, we need look back only a relatively short time as world history is measured to see how far we have come. This past half-century in America probably records the greatest growth and development and certainly the greatest improvement in living standards the world has yet seen. This fifty years has brought consumer credit from infancy to maturity. It has played a vital role in the development of our country, and we can be justifiably proud that we are consumer credit bankers, the kind of bankers who are sound, constructive, and human in their efforts to serve the little fellow. Consumer credit is a constructive force in our democracy. It is one of the most powerful forces in a democracy that has, by itself, brought "more to most" in terms of the good things of life to masses of people.

But, these gains must be zealously guarded. Bold steps must be taken in our field to improve our services, and to have our place in the economy better understood, more respected and less suspected. There will be new problems. The raising of new capital to take care of the increased volume is a current one. Cutting costs and the mechanization of operations is another, to say nothing of contending with creeping—or is it galloping—inflation; but none of these are really new, and competent management will find a way to deal with them as competent management always has.

It happens to be my way of thinking that we consumer credit bankers should be too proud of our insigne to allow it to be gambled away, either by our own conduct or by misstatistics put out by any bureaucratic body which might want to oversimplify us.

In all periods of our dynamic history, there have been grave threats to our continued existence as a nation as well as to our mode of life and the enterprise profit system. The ingredients needed now are faith and an active participation by every citizen in the American institutions that have given us so much. Individual participation in community affairs, public service banking on the part of your institution, and an active interest in government affairs to elect and support those dedicated to furthering our good American way of life—all these things are within your power to do. Let's be realistic, step up and meet the challenge, and the coming years in consumer credit will be the best years of our lives.

Stanford University Business Conference

The consumer finance industry was honored when Dr. Ernst A. Dauer was asked to participate in the Stanford University Business Conference conducted at Palo Alto on July 24-28. This week-long conference has been conducted annually for nine years, and this is the first time that anyone from our industry has been asked to participate, although commercial bankers, investment and mortgage bankers have frequently been asked to do so.

The general theme of the conference was "The Next Fifty Years," but various conference leaders spoke on different subjects related to the general economic outlook, the outlook in various fields of advertising, selling, banking and finance, personnel and industrial relations. Among the participants were Dr. Sumner H. Slichter, Professor of Economics, Harvard University; Don Belding, President, Foote, Cone & Belding, and Wheelock H. Bingham President, Macy's San Francisco.

Prior to the business conference, Dr. Dauer spoke at the University of Southern California, the University of California (Los Angeles), and the Palo Alto Rotary Club. While in the San Francisco area, he also spoke at San Jose State College, Golden Gate College, the University of San Francisco, and the University of California (Berkeley).

Service Credit

It is reported that consumers owed $987,000,000 for "service credit" at the end of 1949. The principal ingredients of service credit are our purchasers of electricity, gas and telephone service as contrasted to what we owe on loans, charge and instalment accounts for tangible goods.

The two questions which arise in connection with service credit are (1) is this truly consumer credit? (2) do we owe $987,000,000?

Ninety per cent of us pay our public utility bills in a few days after we get our monthly statements. Until we receive these, we have no way to know how much service we have used. Most Americans would be highly indignant at the inference that they purchase these utilities "on credit." When the accounts are rendered we believe we "buy for cash."

Morover it is doubtful, statistically, that one can sum up these outstandings on the very day they are rendered and call this America's indebtedness for such service. If the tally were taken on the 10th of the month, not on the 30th, the result would be reduced two-thirds. The figure represents on any day a bookkeeping accumulation, awaiting settlement as soon as customers are notified.

As with charge accounts our utility bills are paid each month out of our wages and salary income earned during the same period. March bills are paid with money earned in March. There is no mortgaging of future income here—hence by definition no use of credit.

About 10% of us fail to pay these bills immediately—allow them to lapse a few weeks, and pay them out of next month's income. Truly this is using credit, mortgaging future income as we buy these services. But it means the use of $98,000,000 and not $987,000,000 of credit.

Too, we consumers, if we live in rented homes and apartments, must deposit money in advance with the electric, gas and telephone companies, to "connect" our service. These deposits, as high as $15 for telephone, $5 for the others, aggregate several hundred million dollars. They are figured to cover at least one month's expected service bill. This means millions of customers are paid up in advance—before any service is rendered. Payment of our monthly bills then represents a continuance of this advance, not the payment of a debt.

All things considered then, instead of owing a debt for these utility services, consumers as a group are paid up currently, some in advance; home owners paying their bills out of income of the

current month, hence not using credit; those in rented property paying for March service with income earned in February—in advance—not on credit.

Our second question explores the reported $987,000,000, itself. This figure with fair accuracy seems to portray the total monthly average billing of all the electric power, natural and manufactured gas and telephone companies throughout the United States.*

* Department of Commerce, March 1950.

But this billion dollar monthly sale and billing includes the whole monthly bill of all users of these utilities. The monthly bill of the utility companies for "consumer use" is less than $470,000,000. It is obvious that there are no other services for which the American consumer is much indebted.

Even if the entire gross bill for these services rendered consumers could be called "indebtedness," consumer credit the month-end "outstanding," could not be much more than this $470,000,000. On the other hand as we have pointed out, if only the overdue portion, the part unpaid a few days after bills are rendered is truly "consumer credit," our actual debt is not more than $47,000,000, and this offset by the far greater total of "deposits in advance," probably close to $150,000,000.

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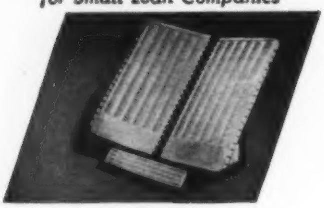

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National Consumer Credit Conference

University of Illinois and Other Sponsors Planning Chicago Conference

The 1950 National Conference on Consumer Credit will be held at the Shoreland Hotel in Chicago, October 5 and 6 under the sponsorship of the University of Illinois. Most of the national associations of credit grantors, including the National Consumer Finance Association, will be co-sponsors of the conference, and it promises to be the most helpful analysis of consumer credit status, fluctuations, statistics and resultant effects upon the business cycle of this year.

When Government credit controls become a reality, a workable plan for controls will be a paramount necessity. Behind the planning must be an understanding of what consumer credit is, what it does for people, what it does for the economy, and the inflationary effects of its fluctuations. The Chicago Conference will offer an excellent opportunity to get the up-to-the-minute background information on this important phase of economic development. Much of the time of the conference will be taken up by panels and discussions, but the following array of subjects and introductory speakers reveals skillful planning for the development of subject matter by outstanding experts in the field. Dr. Earl P. Strong, Director of Business Management Service at the University of Illinois, gives us this preview of the program:

Development of Consumer Credit

Dr. Donald L. Kemmerer, University of Illinois, nationally known writer and speaker on economic history and finance, will discuss:

How consumer credit began, what needs it was developed to meet, the historical course of its growth, its effect upon the growth of individual businesses, its contribution in speeding the distribution of goods created by our new-found production capacity, how consumer credit became as important as it is today to everyman's business, the forms that it has taken during the years.

Consumer Credit and Distribution Today

Manfred I. Behrens, Executive Vice President, Ludwig Baumann, Inc., New York, winner of the 1946 Cavalier award as the outstanding furniture merchant of the country, consultant to various government agencies, director of several trade associations.

The role of consumer credit in retail distribution is important . . . and ever-changing. Mr. Behrens has devoted much study to the dynamics of consumer credit and to the development of new, effective ways to build sales through credit. His address will cover the problems which the institution of consumer credit controls will involve.

Laws Governing Consumer Credit

Thomas W. Rogers, Executive Vice President, American Finance Conference.

The consumer credit industry is peculiarly affected by legislation, codes, and court decisions. This broad, vital subject has been studied by Mr. Rogers, and he will bring a discussion which operators in the field will find practical and immediately useful.

The Measurement of Consumer Credit

Dr. Ralph Young, Director, Division of Research and Statistics, Federal Reserve Board, in charge of collecting credit data and statistics.

One of today's big problems in every business, this question is a vital one. How much credit is outstanding, how much regulatory policy is required to preserve the nation's credit structure at the consumer level? These decisions must be based upon facts, yet facts are hard to get on a continuing basis. Some of the problems discussed in this talk: the difficulty of satisfying all elements in reporting of credit statistics, difficulties of effective collection of such statistics, the problem of differentiation between open-account, installment sales, and small loan credit in the statistics.

(Continued on Page 16)

Robert Fulton Maine

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Let's Remember the Sea Gulls

We wonder if there isn't something of a moral for the American people in the story of what is happening to the sea gulls up in St. Augustine now that the shrimp fleet has left that area for Key West.

It seems the sea gulls up that way have forgotten how to catch fish for themselves. For many years they have been depending for their food on the scraps and waste thrown overboard from the shrimping fleet. It was a sort of super welfare state for the birds, and the free dinners made it unnecessary for the gulls to depend on their own talents to secure food.

But suddenly the shrimp fleet went away. New and more productive fishing grounds were located off Key West and the shrimp boats deserted St. Augustine.

The sea gulls haven't been able to adjust themselves to the new situation. According to an INS report, the reefs and the shores around St. Augustine are lined with long silent rows of gulls with their dark eyes turned prayerfully out to sea—waiting for the shrimp fleet and the free meals that won't return.

Nature has played the sea gulls a dirty trick. As generation after generation of gulls learned to depend on the shrimp fleet instead of their own resources to obtain food, parent gulls apparently forgot to teach their little ones their age-old methods of catching fish. So today the gulls are starving. They are no different in physical makeup than the sea gulls of Ft. Lauderdale, but whereas our gulls can exist through their own efforts, the gulls of St. Augustine are starving by the hundreds because their welfare state suddenly disappeared and with it went their ability to fend for themselves.

The people of St. Augustine are trying desperately to save the gulls that are left. A city-wide effort is being made to round up table scraps and movie popcorn to tide the birds over until they can once more learn to feed themselves.

But naturalists aren't too sure what will happen. They are puzzled over the apparent complete loss of the sea gulls' natural fishing instincts. Some believe the cycle will be completed without the gulls ever recovering their natural fishing ability.

It's a strange paradox that Nature thus gives us. Here we have some of the most independent creatures of the Universe, who were given marvelous talents to take care of themselves, victimized because they succumbed to the "something for nothing" lure. They became dependent on unnatural conditions to such an extent that parents apparently forgot to teach their offspring how to get along otherwise. Now with the free food gone, the offspring of these indolent parents are paying the penalty.

We wonder if people aren't a great deal like the sea gulls of St. Augustine. We wonder how many Americans have swallowed the idea of the welfare state to the point where they think it is no longer necessary to teach their offspring that the day of government handouts and security for all may sometime draw to a close. And we wonder then how many Americans may be left like the gulls—puzzled and bewildered because their sustenance has disappeared and they have no resources of their own to fall back on.

Americans don't have to look far to see the sea gull story translated over into human behavior. We have in England a living example of a "something for nothing" theory gobbled up by the people. Like the sea gulls of St. Augustine, the people of Great Britain have accepted unnatural conditions as a substitute for depending upon themselves. The English government is the "shrimp fleet" which provides the people of Britain with food, clothing and shelter. As long as this government is firm and strong and as long as there are shrimp (meaning taxes) enough to keep it in business, the people will be safe.

But let the shrimp be exhausted, as is now happening, then the government must seek new beds. It must of necessity, move on and leave in its wake a mass of miserable people totally unaccustomed to using their own God-given talents and resources to exist.

There is the moral in this story of the sea gulls of St. Augustine. It's a pungent moral and one that every voting American should well consider. Nature has a way of exacting a heavy toll from those who look upon her gifts as unnecessary. As a nation, we here in America have been singularly blessed with a tremendous capacity for using our skills and our ingenuities to ever improve our way of living. But we have earned our keep by wresting it out of the ground, the sea and the air, through the exercise of our own talents.

We will keep those talents only by continuing to use them. The minute we cast them aside as no longer necessary we will forfeit them as surely as the sea gulls of St. Augustine forfeited their talent to provide themselves with food.

Let's not be that foolish. Let's remember what happened to the sea gulls whenever we are tempted by the Washington "shrimpers" to leave our own board and dine at the government scrap table of false security.

Old Dame Nature is a wise though sometimes cruel teacher. She might have used the sea gulls of St. Augustine as a red flag of warning to the American people. Let's heed it while we still have time.

—*Daily News, Fort Lauderdale, Florida.*

A Glance at What They Are Doing

Irvin Wesley, past president of the National Association and a former chairman of its Executive Committee, advises that he has changed his place of abode and his permanent address is now 226 Oakleaf Drive, San Antonio, Texas. The Wesley's have long had a desire to settle in Texas which is Mrs. Wesley's native state and now that wish has been fulfilled. It is Mr. Wesley's desire to keep his many friends in the Association informed of his whereabouts.

T. N. Burke, Vice President of Interstate Loan Company, and Chairman of the Executive Committee of the Pennsylvania Consumer Finance Association, has been designated as a member of the Legislative Committee of the Credit Men's Association of Eastern Pennsylvania for the year 1950-51.

The state securities division of Ohio granted the state's 700th small loan company license recently to the Central Loan Company of Youngstown.

"Recent statistics show there are more small loan licensed offices in Ohio than in any other state in the United States," Securities Chief Ernest Cornell said.

During 1949, he added, "assets of the small loan companies used in and for Ohio business amounted to almost $152,000,000.

M. Bruce Mace, manager of Capital Finance Corporation's office at Columbus, Indiana, is proving to be quite a public speaker. Recently he has filled two engagements as the featured speaker before the Kiwanis Club and the Exchange Club, both of Columbus. In both appearances Mr. Mace reviewed the popular book, "The Road Ahead," written by John Flynn, and pointed out the dangers of socialism. From all accounts Friendly Loan Man Mace did a swell job and he has been asked to address the civic clubs again.

A. A. Somers, manager, Home Loan and Finance Company, Washington, Indiana, was elected as a member

of the Board of Directors of the Daviess County Chapter of Red Cross for a term of three years. Mr. Somers was fund chairman this past year and his was one of the counties of Indiana exceeding its quota. At a regular meeting of the Washington Kiwanis Club, he was presented a citation for services as 1950 fund chairman, which was signed by General George Marshall, president of the American National Red Cross.

The Indiana Association has arranged a series of eight regional meetings for members and their personnel at strategic points over the state during the month of September, 1950. These evening dinner meetings will be addressed by Mr. J. Archer Kiss, sales and management consultant of Chicago, and one of this country's most effective speakers on salesmanship, human relations and psychology in business management.

William H. Barnes, advertising manager of Capital Finance Corporation, was the subject of a feature article, complete with picture, in a recent issue of the *Columbus Kiwanis News*. He is the junior member of one of Columbus Kiwanis' father and son combinations. In addition to his Kiwanis affiliation he is particularly interested in Masonic work.

O. R. Wilson, manager of Public Loan Corporation, Rock Island, Illinois, has been elected vice president of the Rock Island Lions Club. He served two years as treasurer of the club and is acclaimed as the group's "financial advisor."

J. V. Riley, manager, Home Loan and Finance Company, Vincennes, Indiana, attended the annual business meeting of the Indiana Society for Crippled Children. Mr. Riley is a state director and at this meeting he was also elected to the Executive Committee of the Society.

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National Consumer Credit Conference

(Continued from Page 14)

Consumer Credit Statistics—Their Cost and Value

Panel Discussion

This is a panel by outstanding men in the credit business on the uses which they do, could, or should make of figures about loans and installment credit and a discussion of the additional figures which would be desirable. Included in this discussion: the effect of statistics upon the credit policies of industry and individual business firms, the effect of public opinion as formed through exposure to credit data and news commentaries relating thereto.

Business Outlook, 1951 and Beyond, and the Role of Consumer Credit

Dr. Morris Livingston, Standard Oil Company of Indiana, Chicago, and consulting economist. Formerly with investment counsel firm of Scudder, Stevens and Clark, Boston. For eight years Chief, National Economics Division, United States Department of Commerce.

The Demands for Consumer Credit

Dr. Avram Kisselgoff, New York City.

The lives of consumer financial institutions, as well as the health of large numbers of retail and service businesses, depend upon the demand for consumer credit in its various forms. Dr. Kisselgoff has studied and will analyze the factors entering into the demand for consumer credit.

Consumer Credit and Business Fluctuations

Dr. Ernst Dauer, Household Finance Corporation, Chicago, formerly economist with the Federal Deposit Insurance Corporation, widely known lecturer on credit and finance.

A basic problem of our economy is the "up-and-down" nature of the business cycle. To what extent is consumer credit inflationary on the upswing, does it tend to be deflationary

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August 1950 Release

through contraction in the downswing and therefore tend to accentuate cyclical peaks and valleys? These questions and others have a direct bearing upon business stability and, consequently, upon the well-being of individual businessmen.

Demand-Supply of Consumer Credit and Economic Stability

Panel Discussion

A second group of leaders in the consumer credit field will discuss the questions of business "ups and downs" as they are influenced by consumer credit and vice versa.

Consumer Credit and the Individual Family

Dr. Reavis Cox, The University of Pennsylvania, marketing consultant to businesses and government, Director of Research Projects for Retail Credit Institute of America.

How much credit is enough for a family? When should we stop granting credit? Fundamentals of family income, family needs for credit, and the fit of credit over the life cycle of the family will be explored by Dr. Cox.

Thomas D. Griffin, Ernst Dauer, Paul L. Selby and others will participate in the panels.

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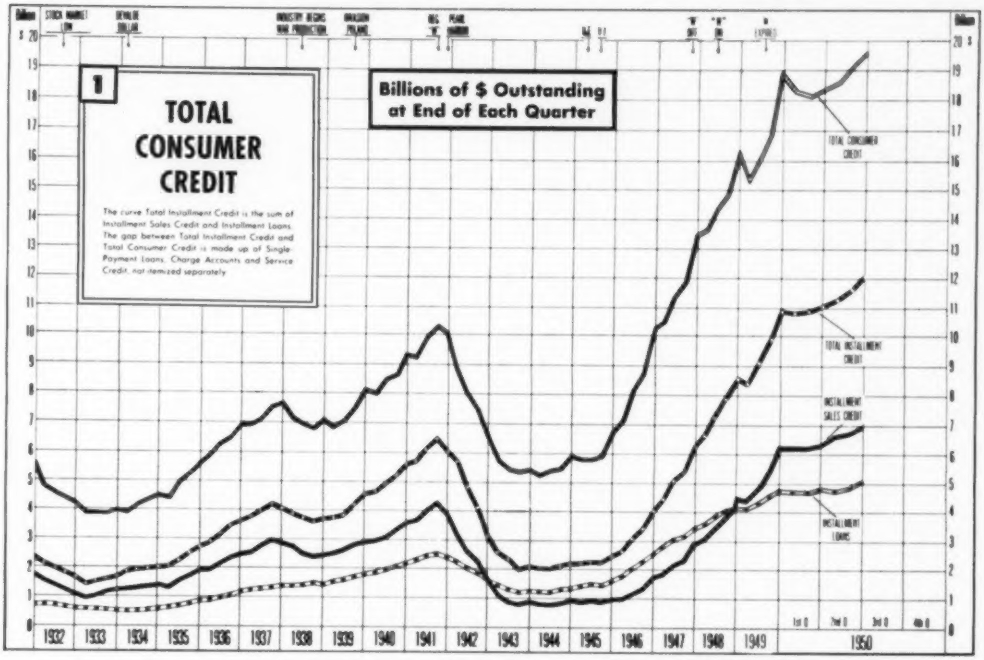

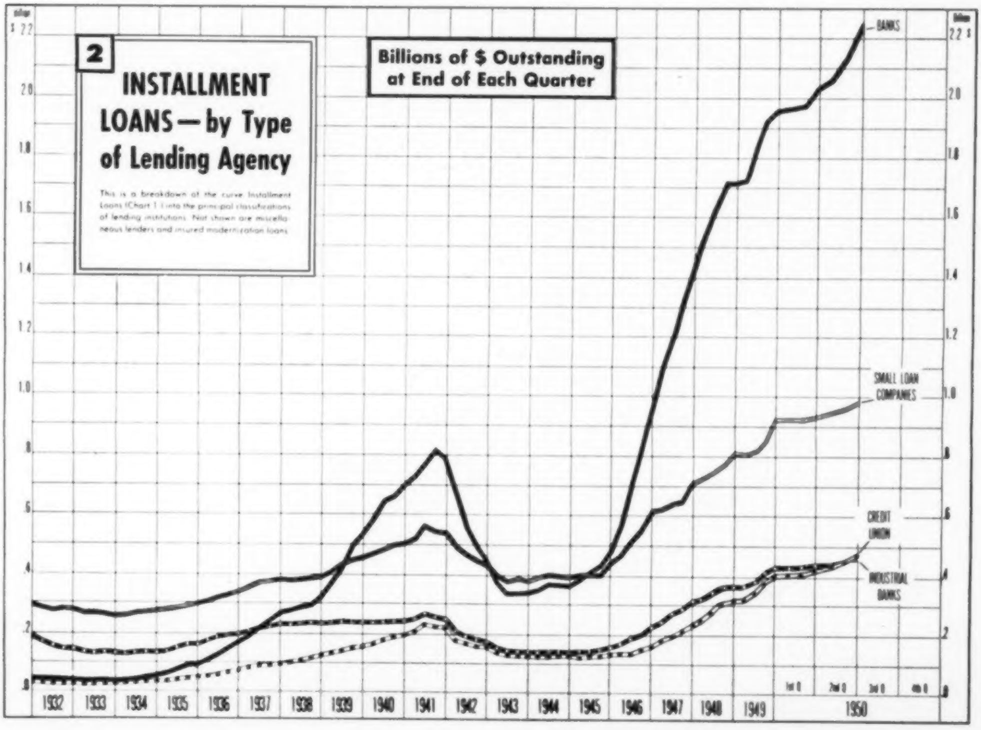

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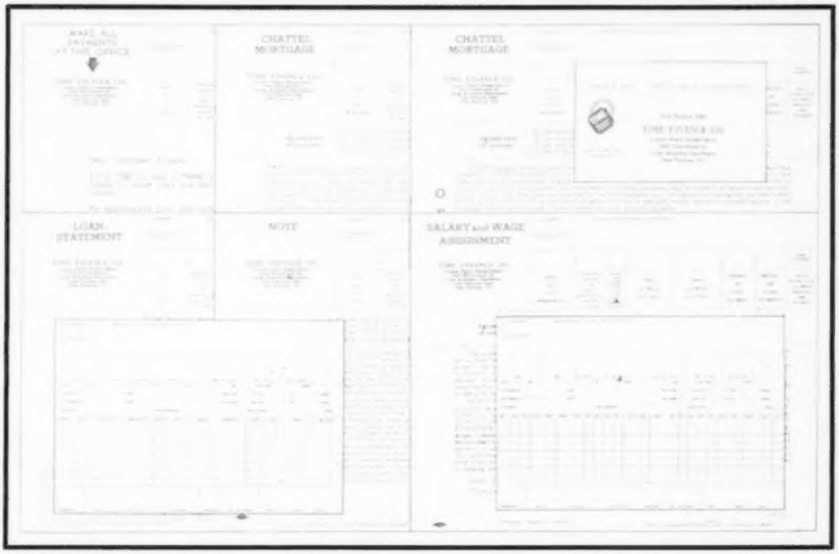

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